

Message Text

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ACTION EB-07

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4012

INFO AMCONSUL RIO DE JANEIRO

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E.O.11652: N/A

TAGS: EAIR, BR

SUBJECT: CIVAIR BRANIFF/BRAZIL ORIGIN CHARTER INQUIRY

REF: STATE 30229

SUMMARY. DAC CONCERN ABOUT EFFECTS OF CHARTERS ON OVER THE COUNTER TICKET SALES OF SCHEDULED AIRLINES HAS LED TO BAN ON NORTHBOUND CHARTER FLIGHTS IN EXCHANGE FOR REDUCED FARE PLAN. PLAN SEEMS TO HAVE ATTRACTED MORE PASSENGERS FOR SCHEDULED AIRLINES. COMPETITIVE BALANCE BETWEEN INTERNATIONAL AIRLINES IN BRAZIL MAY HAVE BEEN EFFECTED BY THE PLAN. END SUMMARY.

1. DAC (DEPARTMENT OF CIVIL AVIATION) HAS FOR SOME TIME BEEN CONCERNED ABOUT THE EFFECT OF BRAZIL ORIGIN CHARTERS ON THE BRAZIL/US AIR TRAVEL MARKET. THIS CONCERN RESULTED IN A DECISION TO APPROVE, AS OF NOVEMBER 1975, GROUP INCLUSIVE TOUR FARES BY SCHEDULED AIRLINES. AT SAME TIME, DAC FORBADE NORTHBOUND CHARTER FLIGHTS, EXCEPT FOR THOSE CHARTERS THAT HAD ALREADY RECEIVED APPROVAL, A FEW PEAK SEASON (CARNIVAL) CHARTERS AND SINGLE ENTITY CHARTERS. MOST

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INTERNATIONAL CARRIERS IN THE MARKET (BRANIFF, PANAM,

VARIG, AEROLINEAS ARGENTINAS) APPEAR TO HAVE WELCOMED THIS DECISION.

2. NORMAL NEW YORK/RIO ROUND TRIP TICKET COSTS
US\$910.00. GROUP INCLUSIVE FARES ARE PRICED AT
US\$535.00 ROUND TRIP (NEW YORK/RIO) AND ARE
PROPORTIONATE FOR OTHER US GATEWAY DESTINATIONS. THESE
FARES DO NOT APPLY O DEC. 15 - MARCH 15 AND JUNE 15 -
AUG. 15 PEAK TRAFFIC LOAD PERIODS.

3. RIO AIRLINE OFFICIALS SEEM TO FEEL LOWER FARES
HAVE RESULTED IN LARGE INCREASE IN OVER THE COUNTER
TICKET SALES TO US AND CAN BE CONSIDERED SUKCESSFUL.
IN ADDITION, DAC APPAEARS SATISFIED THAT LOWER FARES
ARE ADEQUATE SUBSTITUTE FOR CHARTERS EVEN THOUGH
CHARTERS WERE CHEAPER BY ABOUT 15-20 PERCENT.

4. COMMENT: BRANIFF AIRLINES MAY FEEL THAT RECENT
DAC DECISION HAS HURT ITS MARKET POSITION RELATIVE
TO OTHER CARRIERS. IT DOES NOT HAVE AS LARGE A
MARKET SHARE AS PANAM IN THE BRAZIL/US MARKET FOR
OVER THE COUNTER TICKET SALES. HOWEVER, BRANIFF
SUCCESSFULLY MAINTAINED A LARGE MARKET SHARE OF
BRAZIL ORIGIN CHARTERS. BRANIFF/RIO REP. INDICATED
TO CONGEN RIO THAT CURRENT SITUATION IS TOLERABLE
BUT FAR FROM IDEAL. CONGEN SEES LITTLE LIKLELIHOOD
THAT DAC WILL REVERT TO PRE-NOV. 1975 POLICY UNLESS
THE ONLY BRAZILIAN OWNED CARRIER INVOLVED (VARIG)
SEES ITS INTERESTS THREATENED AND AGREES TO SUCH A
CHANGE.
CRIMMINS

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